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SUBJECT: XI JINPING VISIT TO MACAU: NO PRESENTS OR HOT TIPS

Classified By: CONSUL GENERAL JOE DONOVAN for reasons 1.4 (B,D).

¶1. (SBU) Summary: Xi Jinping, visiting Macau January 9-10 for the first time as PRC Vice President, expressed confidence Macau can weather the current economic downturn with the support of the central government and continued diligence of the Macau people. His encouraging words, however, were not accompanied by the one measure local observers see as key to help boost Macau's economy: easing travel restrictions on mainland Chinese visiting Macau. The travel curbs introduced late last summer have resulted in slowing growth for the city's casinos. Instead, Xi on several occasions urged Macau to diversify its economy beyond reliance on the gaming industry to achieve long-term sustainable growth. Xi also failed to signal which of the four "undeclared" candidates Beijing prefers to succeed current Chief Executive Edmund Ho in December. End summary.

¶2. (SBU) China's Vice-President Xi Jinping made a two-day inspection tour of the Macau Special Administrative Region January 9-10. Visiting for the first time since becoming Vice President in March 2008, Xi insisted Macau will continue to enjoy the full support of the central government to help it achieve diversified, sustainable development and enhance its cooperation with neighboring Guangdong province. To emphasize this point, Xi promised Macau a role in its plans for nearby Hengqin Island (administratively part of the mainland city of Zhuhai, but less than two hundred meters from Macau), which the central government recently approved for development. (Note: Macau, with 557,000 residents squeezed into 11 square miles of land, has long been eyeing Hengqin as a solution to its population problem. End note.)

¶3. (C) Although relaxation of travel restrictions on mainlanders' visits to Macau had been widely viewed as the most important step the central government could take to raise Macau's economic fortunes, Xi was silent on this issue. These restrictions, imposed late last summer to cool Macau's overheating economy and curb the risk of mainland officials and managers gambling absconded funds, have caused casino revenue growth to slow in recent months. Given the central government's recent announcement it would work with Hong Kong to expand travel by mainland tourists, this move was a clear signal Beijing is still not fully ready to reopen the doors to Macau for mainland Chinese visitors.

¶4. (SBU) Also contrary to wide expectations, Xi did not signal Beijing's preference for any of the four "undeclared" candidates to become Macau's next Chief Executive (CE) when current CE Edmund Ho steps down in December. Xi met all four candidates but did not by word or gesture indicate a favorite. The four widely-accepted contenders are Secretary for Social and Cultural Affairs Fernando Chui, Secretary for Economy and Finance Francis Tam, Executive Councilor and businessman Ho Iat Seng, and Prosecutor General Ho Chio-meng. Local media reported Xi steadfastly refused to answer questions about the upcoming CE election. CE Ho is expected to announce later this month the date for the election of the 300-member Election Committee that will in turn choose the

next CE.
DONOVAN